

Allowable Ex Parte Briefing

Before the Public Service Commission

October 14, 2021

- [Commission Order 2021-591](#)
 - “Commission request[s] an Allowable Ex Parte Briefing from South Carolina Public Service Authority (Santee Cooper) regarding a high-level overview of the Company’s organization and operation as well as the statutory responsibility of the Public Service Commission...”
- To be responsive to the Commission’s request, Santee Cooper has organized its presentation addressing:
 - High-Level Overview of the Santee Cooper Organization
 - High-Level Overview of Santee Cooper’s Operations
 - Statutory Responsibility of the Public Service Commission under [Act 90](#).

HIGH-LEVEL OVERVIEW OF THE SANTEE COOPER ORGANIZATION

14-member Board of Directors

- 12 regular members
 - Represent 3 counties we serve directly, 7 Congressional Districts, and two at-large (including the Chair)
 - 4-year terms, 3 term limit
 - Nominated by Governor, Screened by PURC and Senate Judiciary Committees, Confirmed by SC Senate
 - Experience and diversity standards for appointments
- 2 additional non-voting ex-officio Central representatives
 - Rob Hochstetler (Central Chair's designee)
 - Rob Ardis (Central Board member)
- Best-Interest Test (S.C. CODE § 58-31-55(A))
 - Directors must discharge their duties in the “best interests” of Santee Cooper, defined as balancing financial integrity, interests of customers in reliable service at just and reasonable rates, maintenance of the system and support of economic development.



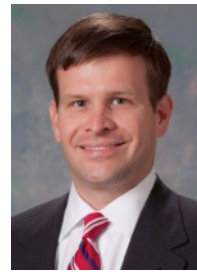
Peter McCoy
Chairman



**Dan J.
Ray**



**David F.
Singleton**



**Kristofer D.
Clark**



**William A.
Finn**



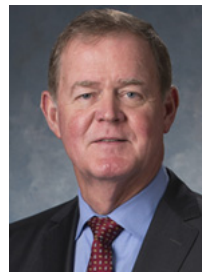
**Merrell W.
Floyd**



**J. Calhoun
Land IV**



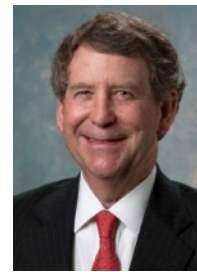
**C. Herb
Leaird**



**Stephen H.
Mudge**



**Peggy H.
Pinnell**



**Barry D.
Wynn**



Rob Ardis
Ex Officio



Rob Hochstetler
Ex Officio

Senior Management



Mark Bonsall
President & CEO
Over 40 years utility
experience



Charlie Duckworth
Deputy CEO &
Chief of Planning
Over 40 years



Ken Lott
Chief Financial and
Administration Officer
22 years



Pamela Williams
Chief Public Affairs Officer
and General Counsel
19 years



Tommy Curtis
Chief Generation Officer
23 years



Mike Poston
Chief Customer Officer
35 years



Monique Washington
Chief Audit Executive
21 years

Santee Cooper has nearly 1,600 employees
working at locations across South Carolina.

Act 90

New Oversight Requirements

- Joint Bond Review Committee
 - Approves certain debt and real property transactions (S.C. CODE § 58-31-240)
- Agency Head Salary Commission
 - Approves compensation for the CEO (S.C. CODE § 58-31-30(C))
- Annual reports to the PURC on transition from coal (S.C. CODE § 23)
- Other legislative review upon request (S.C. CODE § 58-31-250)
- Public Service Commission (S.C. CODE § § 58-31-227, 58-31-430, 58-33-70, 180, 185 & 190, and 58-37-40)
- Office of Regulatory Staff (S.C. CODE § § 58-31-730(B)&(G), 58-31-740, 58-31-225, 58-4-51 & 55, and 58-27-190, 200, 210 & 220)

Additional Oversight

- Chief Audit Executive, responsible for compliance
 - Monique Washington
- Board engaged Black & Veatch
- Stakeholder Committee to be named by Chair
 - 1 member from the Santee Cooper Board of Directors who shall act as Chair
 - 1 member each representing residential customers; commercial customers; industrial customers; municipal customers; the conservation community; and customers living below federal poverty guidelines
 - 1 member of the public with significant utility industry background
 - the SC Secretary of Commerce or his nominee
 - the Director of the SC Department of Natural Resources or his nominee

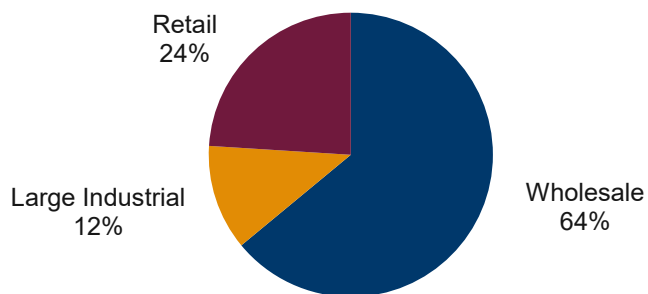
HIGH-LEVEL OVERVIEW OF SANTEE COOPER'S OPERATIONS



Customers

Santee Cooper provides power to a strong and diverse group of customers, directly or indirectly serving 2 million South Carolinians

2020 Customer Composition (\$)



Central (60% of Revenues)

- Central Electric Power Cooperative, Santee Cooper's largest customer providing approximately 60% of Santee Cooper's revenues in 2020.

Other Wholesale (4% of Revenues)

- City of Georgetown
- City of Bamberg
- Town of Waynesville
- City of Seneca
- Piedmont Municipal Power Agency
- Alabama Municipal Electric Authority

Retail (24% of Revenues)

- Santee Cooper's retail customers include 194,000 retail customers in Berkeley, Georgetown and Horry counties as well as 27 large industrial and military customers

Growing Retail Customer Base

(# customers)	Residential	Commercial & Small Industrial
2016	147,447	29,301
2017	151,044	29,614
2018	154,586	30,530
2019	158,032	31,145
2020	163,205	30,725

Industrial (12% of Revenues)

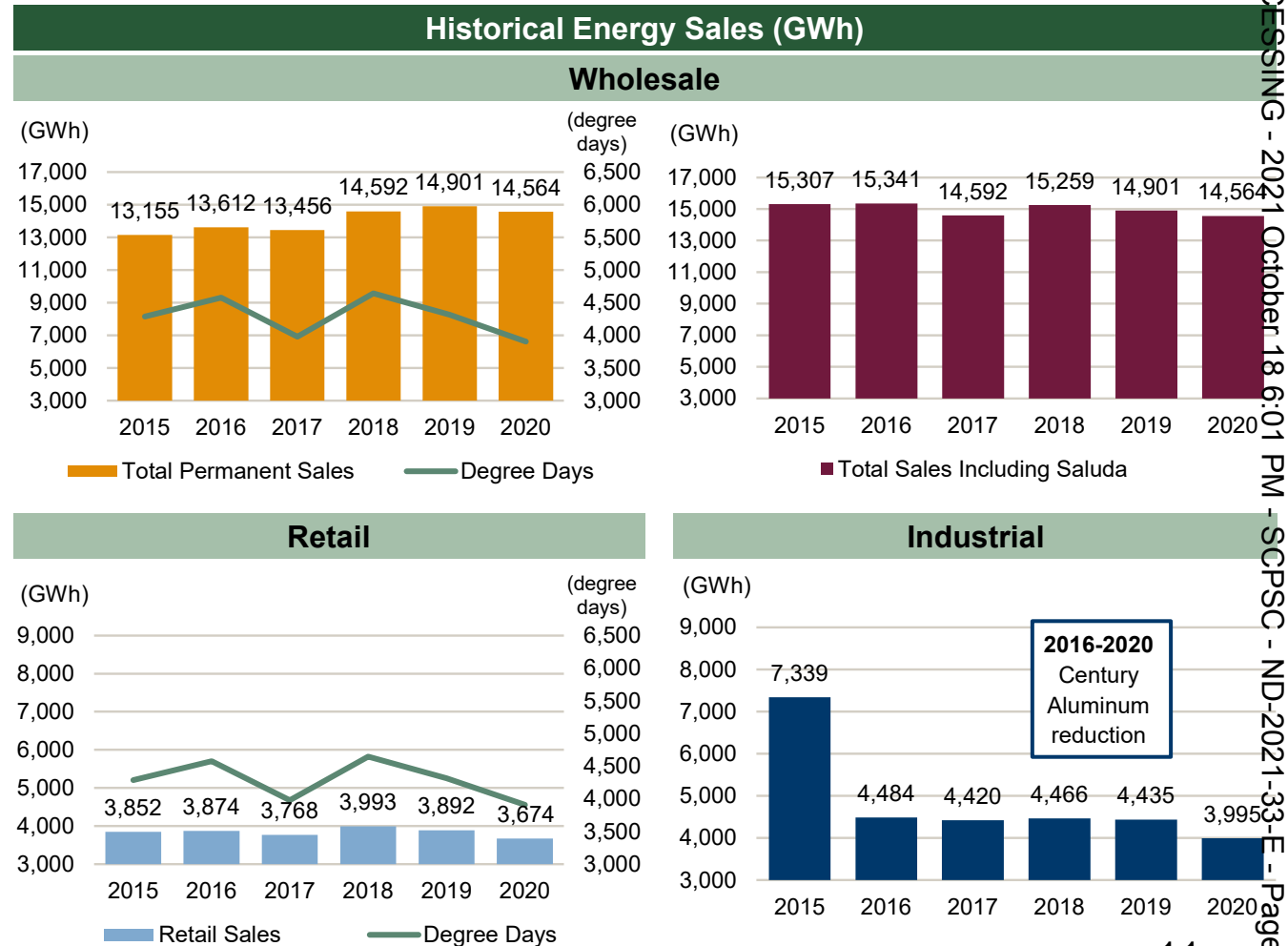
- Santee Cooper's large industrial customers have contract terms that include minimum demand charge and extended notice requirements that mitigate termination risk

Large Industrial Customers Summary

Company	Industry	% of Revenue	Customer Since
Nucor	Steel	4.8%	1996
Century	Aluminum	1.3%	1980
Amoco	Chemical	1.1%	1977

Energy Sales

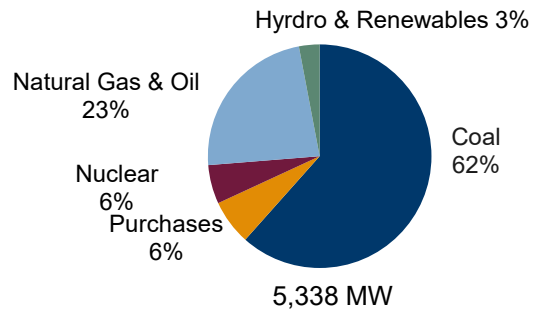
- The transition of a portion of Central's load (Saluda) and Century Aluminum's production decline and partial load reduction have impacted Santee Cooper's overall sales
- Saluda load fully transitioned off by 2019
- Sales from Santee Cooper's long-term customers remain strong despite conservation programs and the impact of milder weather



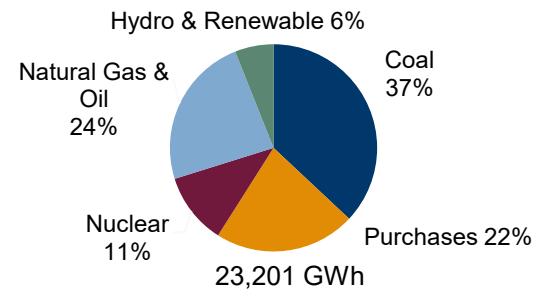
Power Supply

Current Generation Sources

2020 Capacity (MW)¹

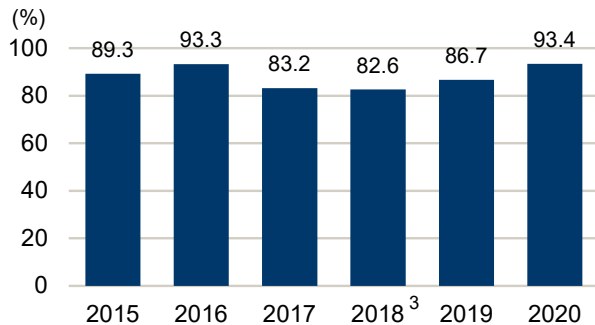


2020 Fuel Mix (GWh)

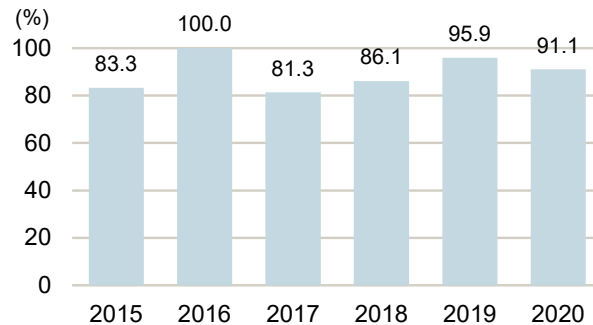


Base Load Availability

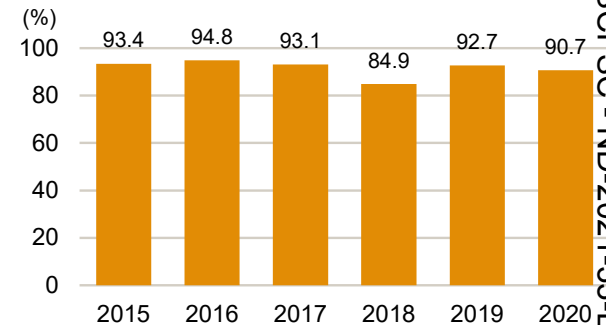
Coal



Nuclear²



Gas



1. Based on winter capacity and purchases include SEPA, Buzzard Roost, and St. Stephen

2. Spring 2014 – 57 days for scheduled refueling outage; Fall 2018 – 50 days for scheduled refueling outage

3. Reflects an outage at Cross to install new equipment related to upcoming environmental regulations, as well as, two forced outages at Cross 4 and Winyah 1 that were anomalies

Power Supply Detail

Cross Generating Station (26.9% of 2020 Energy)



Location	Unit	Service Date	Energy Source	Capacity (MW)	% of 2020 Energy
Pineville, SC	1	1995	Coal	580	4.5%
	2	1983	Coal	565	(0.1%)
	3	2007	Coal	610	8.7%
	4	2008	Coal	615	13.8%

Rainey Generating Station (23.6% of 2020 Energy)



Location	Unit	Service Date	Energy Source	Capacity (MW)	% of 2020 Energy
Iva, SC	1	2002	Gas	460	16.2%
	2A, 2B, 3, 4, 5	2002 - 2004	Gas	517	7.4%

Summer Nuclear Unit 1 (11.1% of 2020 Energy)



Location	Unit	Service Date	Energy Source	Capacity (MW)	% of 2020 Energy
Jenkinsville, SC	1	1983	Nuclear	322	11.1%

Power Supply Detail (cont.)

Winyah Generating Station (9.8% of 2020 Energy)



Location	Unit	Service Date	Energy Source	Capacity (MW)	% of 2020 Energy
Georgetown, SC	1	1975	Coal	274	3.8%
	2	1977	Coal	285	3.3%
	3	1980	Coal	285	1.8%
	4	1981	Coal	285	0.9%

Jefferies Hydroelectric Generating Station (1.1% of 2020 Energy)¹

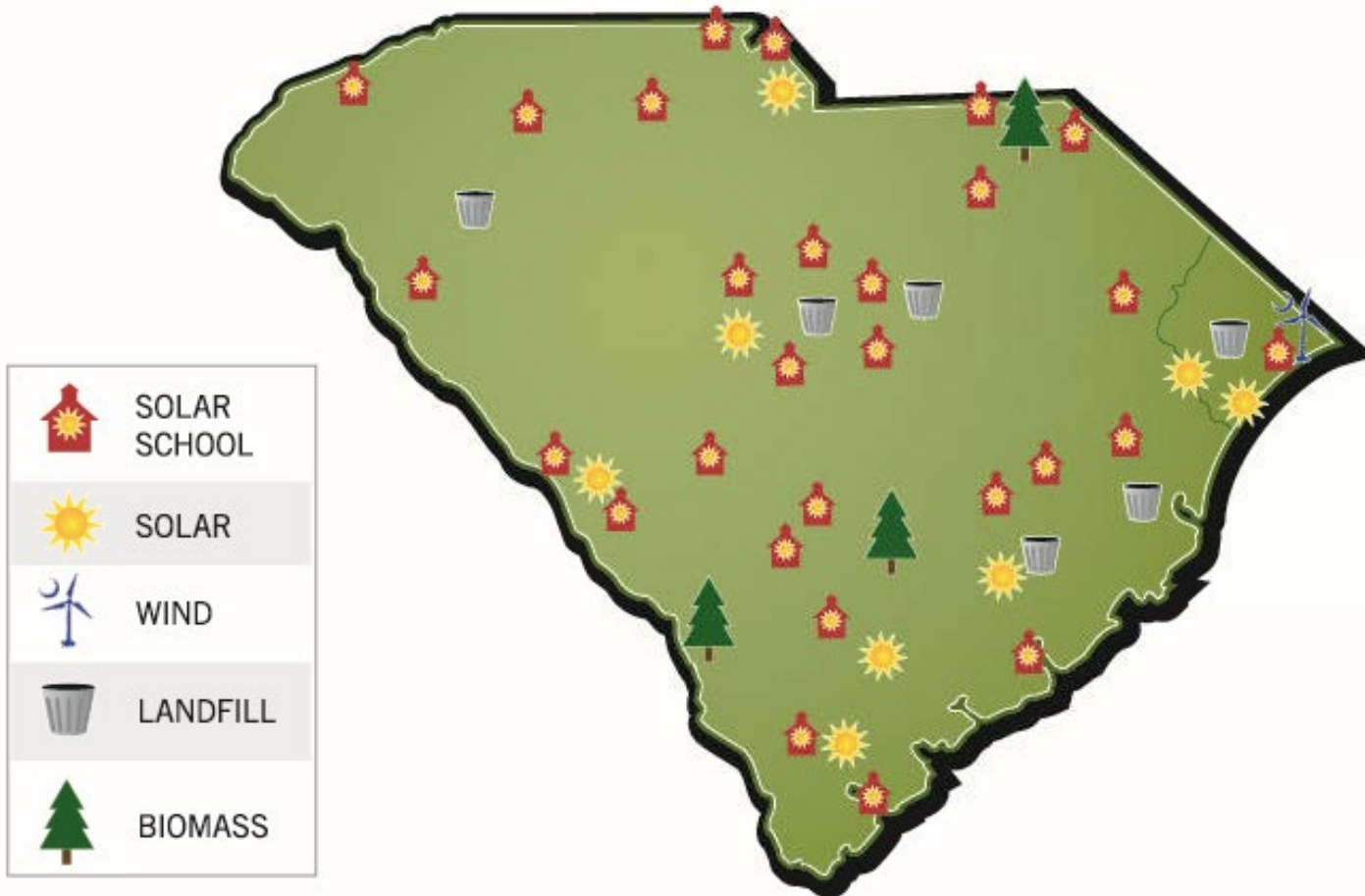


Location	Unit	Service Date	Energy Source	Capacity (MW)	% of 2020 Energy
Moncks Corner, SC	All	1942	Hydro	140	1.1% ¹

(1) This percentage is only reflective of Jefferies Hydro and does not include Wilson Dam Generating Station or St. Stephen/Corps of Engineers.

Renewable Power

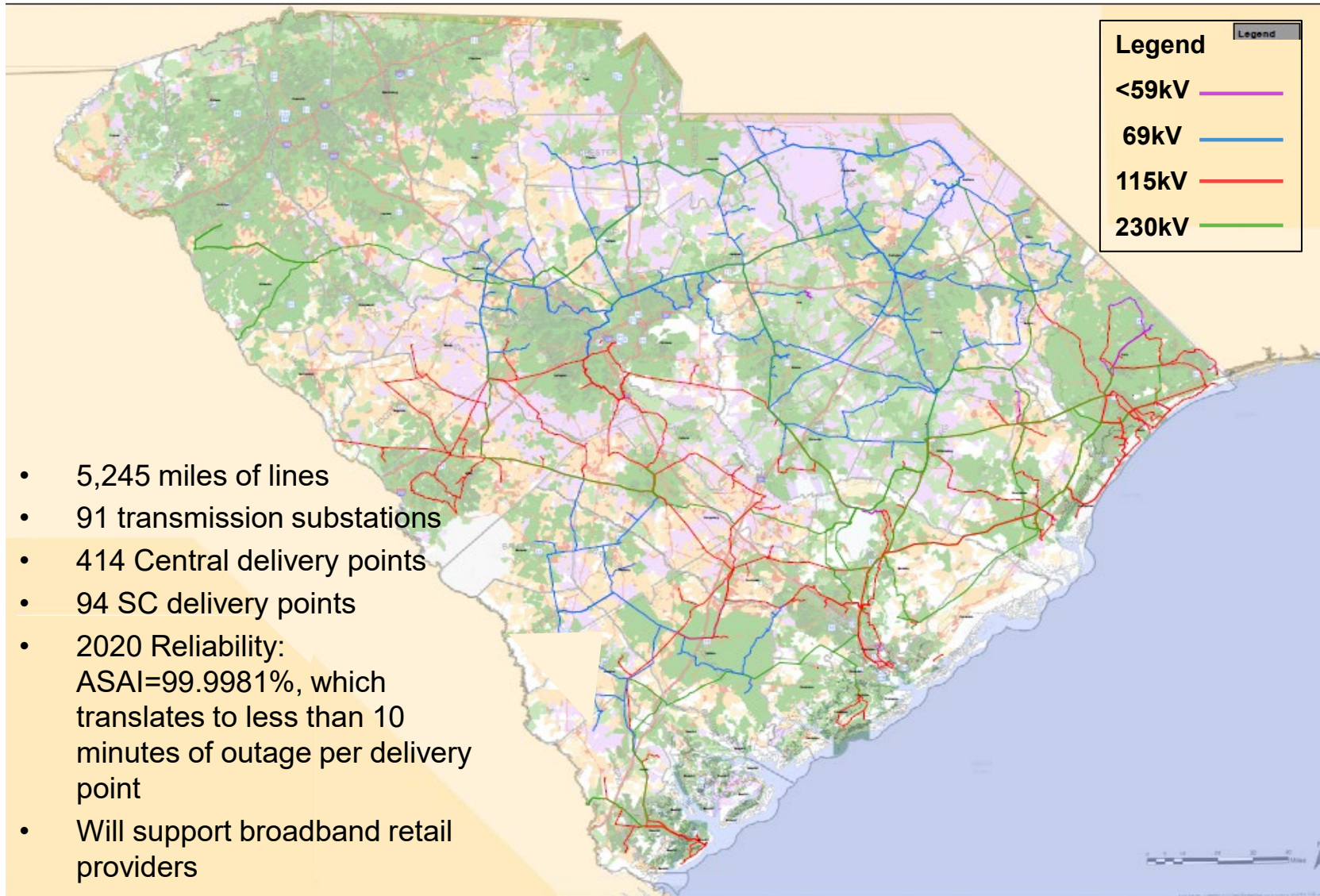
Renewable Generating Units (2.6% of 2020 Energy)



New Utility-Scale Solar

- Competitive procurement process commenced June 5, 2020
- Robust responses totaling 3,625 MW capacity of solar capability
 - 21 respondents proposed 58 projects, from 8 MW to 150 MW
- 425 MW of solar power acquired by Central and Santee Cooper, to be online by the end of 2023.
- Fixed-price arrangements: pay only for energy received, no added debt

Transmission



Distribution

- Distribution

- 3,031 miles of lines; 59 substations
- Reliability as measured by the System Average Interruption Duration Index (SAIDI)¹ was 23.9 minutes in 2020²
- Using data reported to and compiled annually by the U.S. Energy Information Administration (EIA)³, Santee Cooper's reliability ranks in the top 2% nationally when compared to IOUs and Co-ops



¹ SAIDI is defined as the (Sum of Customer Minutes of Interruption) / (Total Number of Customers Served).

² Santee Cooper 2020 SAIDI calculation = (4,501,191 customer minutes of interruption) / (188,318 customers) = 23.9 minutes

³ This information is reported by electric utilities to the EIA on Form EIA-861 and is compiled by the EIA in an Xcel spreadsheet and is posted at the EIA website.

Water Systems

Santee Cooper's two water systems provide safe drinking water and help drive economic development in rural areas.

- Lake Moultrie
 - Berkeley, Goose Creek, Moncks Corner and Summerville
 - >200,000 consumers, growing
 - 40 million gallons per day (mgd), 20 miles of pipeline
- Lake Marion
 - ~3,000 consumers, aggressive growth plan
 - Berkeley, Calhoun, Dorchester, Orangeburg, Santee
 - 8 mgd, 47 miles of pipeline



Economic Development



- Statutory responsibility (*S.C. CODE §58-31-55*)
- With the state's electric cooperatives and other economic development entities, we've helped bring more than \$15.3 billion in investment and more than 83,000 new jobs to South Carolina since 1988
 - Volvo, Google, Nucor, Samsung, Century, .
- Property and land
 - Commerce parks including Camp Hall
 - Programs to help partners develop industrial buildings, etc
- Low rates, reliability = key tools

- Beneficial Reuse of Ash, Gypsum
- GOFER used motor oil collection
- Old Santee Canal Park
- Wetlands restoration
 - Camp Hall protecting 1,265 acres; planting of native hardwood seedlings on 465 acres underway
 - Grainger station site: 380 acres, including former ash ponds, restored
- Pollinator pathways
 - Camp Hall
 - Jamison Solar Farm
 - Right-of-way paths





Resource Plan Update

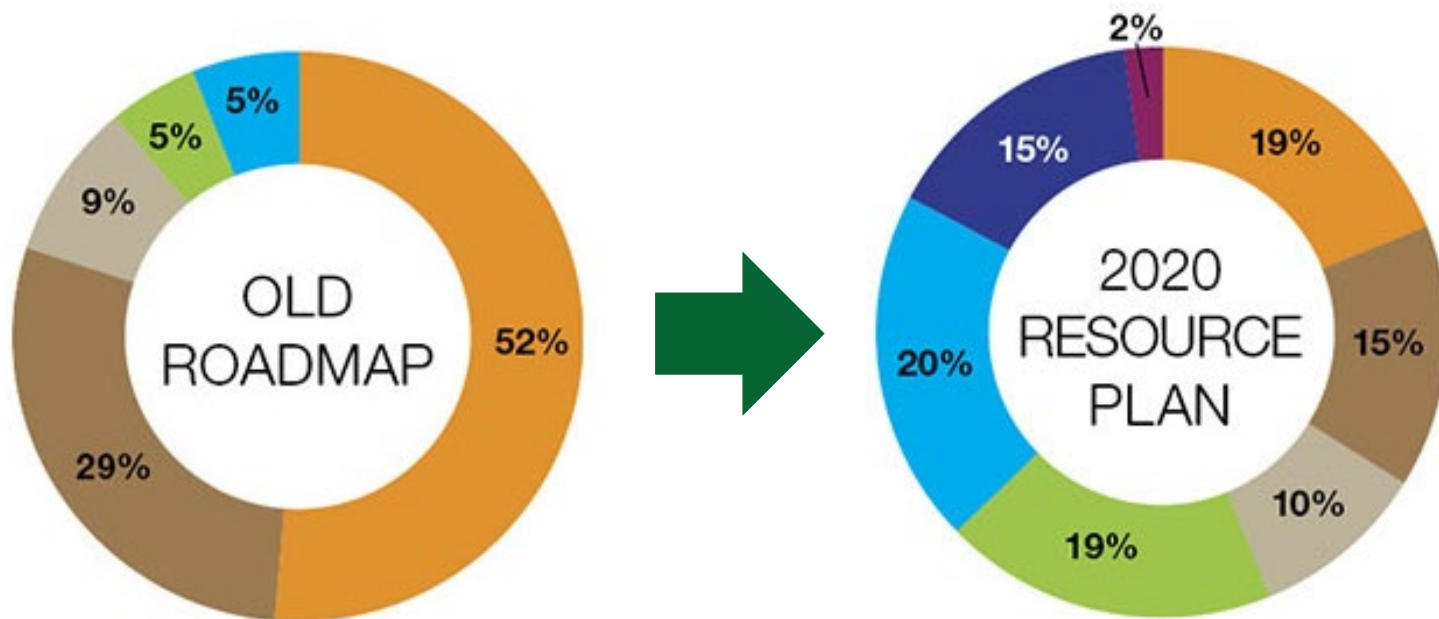
Santee Cooper is guided by the [2020 Integrated Resource Plan](#) submitted under [Act 62](#) and is a result of collaboration with Central.

Key Elements	
Retire Coal	<ul style="list-style-type: none"> Board has approved retiring Winyah Generating Station
Increase Solar	<ul style="list-style-type: none"> Santee Cooper, Central have acquired 425 MW of solar power Online by Q4 2023
Incorporate Advanced Technology	<ul style="list-style-type: none"> Plan includes phased battery energy storage implementation starting in mid 2020s (200 MW cumulative) Nearly completed AMI meter installation, on track to begin rollout of new customer programs late 2021 Established an Electric Vehicle (EV) Task Force
Increase Natural Gas Resources	<ul style="list-style-type: none"> 2020 IRP included ~550 MW new Natural Gas CC/CT resource targeted by 2028 Plan includes purchases sized to meet demand and lower energy cost
Conservation and Demand Response (DR)	<ul style="list-style-type: none"> EmpowerSC program launched in January New Demand Response program planned for launch in late 2021, which utilizes advanced switch technology and is managed by a Distributed Energy Resource Management System (DERMS), with future expansion of additional Demand Energy Resources

2030s System Mix



Santee Cooper’s future power supply will be comprised of more solar, less coal, and 55% fewer carbon emissions.



Significantly improves fuel diversity



Includes solar resources acquired by Central and managed as a part of the combined system.



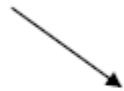
FINANCIAL OVERVIEW

Basic Financial Equation

Cash Revenues

Less: Cash Operating Expenditures

Net Cash Operating Margin



Net Cash Operating Margin

Less: Principal and Interest

Internally Generated Cash



Internally Generated Cash

Plus: New Debt Principal

Funding for Capital Improvements

Solidified Credit Ratings

Credit Agency	Rating	Outlook	Change Since July 2020
Moody's	A2	Stable	Improved Outlook
Fitch	A-	Stable	Improved Outlook
S&P	A	Stable	Improved Outlook

- **Highlights:**

- Greater stability and certainty due to the passage of Act 90 and the settlement of litigation (*all 3 CRAs*)
- Financial flexibility by taking advantage of debt service savings opportunities (*S&P, Moody's*)
- Competitive rates (*all 3 CRAs*)

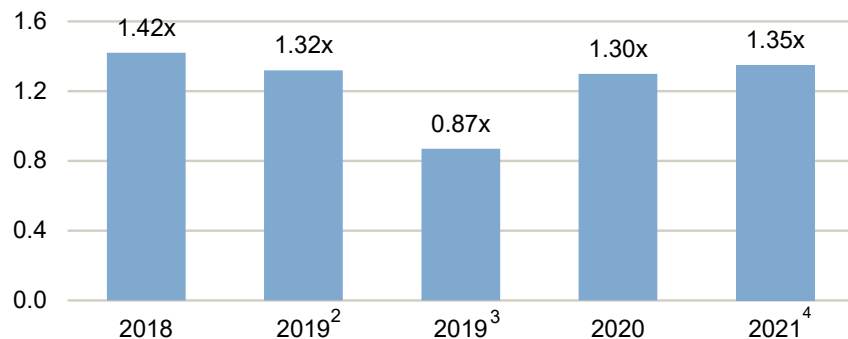
- **Challenges:**

- Unforeseen expenses during the rate freeze (*S&P*)
- Potential financial constraints during Cook Settlement rate freeze (*Fitch*)
- Ability to reduce leverage ratios (*Fitch*)

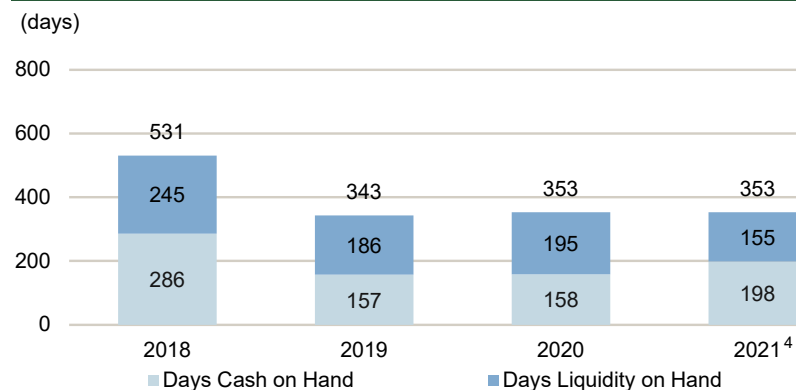
Selected Financial Metrics

Santee Cooper continues to maintain a strong financial profile.

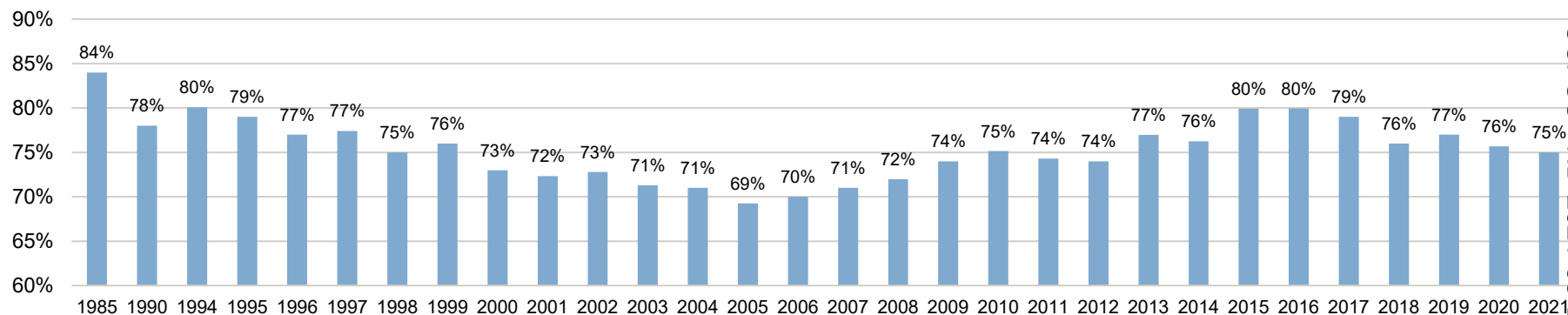
Debt Service Coverage¹



Days Liquidity



Debt / Capitalization



1. Includes commercial paper, revolving credit, and payments to the state.

2. Debt Service Coverage amounts for 2019 are disclosed on page 60 of Santee Cooper's [2019 Annual Report](#). The respective amounts include the Debt Service Coverage ratio before and after the impact of the Special Item- Cook Settlement for \$200 million.

3. Includes the special item related to the [Cook case settlement](#) amount of \$200 million recorded in 2019 and to be paid ratably over a 3-year period (2020-2022).

4. Based on 8 months actuals and 4 months projected and reflects the Century Aluminum load beginning in April 2021

Annual Average Bill Comparison Residential Rates



Santee Cooper Average Residential Rates (1,000 kwh direct-serve customer ¹⁾) are favorable when compared to neighboring IOUs.

	Duke Energy Carolina	Duke Energy Progress	Dominion Energy Carolina	IOU Average	Santee Cooper	Santee Cooper % below IOUs
2020	\$120.54	\$122.59	\$122.98	\$122.04	\$110.78	-9.2%

1. Cent/kWh for IOUs are calculated based on [published rate schedules for 1,000 kwh customer using ORS "Historic Electric Residential Bills" data](#). Santee Cooper rates are calculated using the [RG-17 rate](#) and common adjustment values from 2020...



Construction & Capital Equipment

(\$000's)

	2021	2022	2023
Electric System			
Environmental Compliance Projects	\$49,821	\$58,989	\$58,811
FERC Capital	2,375	1,275	1,058
Future Generation	18,660	15,000	25,765
Marion-Conway 230kv Line	887	23,042	14,608
AMI Meters	14,164	129	119
Sub-Total	85,907	98,435	100,361
General Construction & Capital Equipment			
Generation	\$119,347	\$78,306	\$71,906
Transmission	43,627	33,444	46,927
Distribution	40,607	45,361	47,491
General Corporate & Customer Service	17,653	17,362	15,141
Total Electric System	307,140	272,908	281,826
Water System	6,334	432	245
Combined Systems	\$313,474	\$273,340	\$282,071

Source: 2021 Management Budget Presentation, Santee Cooper Board of Directors meeting, December 7, 2020

STATUTORY RESPONSIBILITY OF THE PUBLIC SERVICE COMMISSION UNDER ACT 90

Act 90 Responsibility of the Public Service Commission

- Review and Approve:
 - Construction of a Major Utility Facility
 - Acquisition of a Major Utility Facility
 - Purchase of Power by Santee Cooper with a Term Greater than 10 Years in Length
 - Santee Cooper's Triennial Integrated Resource Plan
 - Competitive Procurement Process for Renewable Generation
 - Service Territory Changes

Construction of a Major Utility Facility

- STATUTORY AUTHORITY: S.C. CODE §58-33-180
- HIGH LEVEL DESCRIPTION OF REGULATORY REQUIREMENT
 - Santee Cooper shall apply for and obtain from the Commission a certificate of environmental compatibility and public convenience and necessity before it may commence to construct a Major Utility Facility.
- DEFINITION OF MAJOR UTILITY FACILITY:
 - Electric generating plant and associated facilities designed for, or capable of, operation at a capacity of more than 75MWs, OR
 - An electric transmission line and associated facilities of a designed operating voltage of 125 KV or more; provided, however, that the words 'major utility facility' shall not include electric distribution lines and associated facilities.

Title 58, Chapter 33 of the South Carolina Code can be found [here](#).

Construction of a Major Utility Facility (cont.)

- WHAT SANTEE COOPER MUST PROVE AND WHAT THE COMMISSION MUST FIND:
 - The construction of the major utility facility constitutes a more cost-effective means for serving direct serve and wholesale customers than other feasibly available long-term power supply alternatives and provides less ratepayer risk while maintaining safe and reliable electric service than other feasibly available long-term power supply alternatives; and
 - Energy efficiency measures; demand-side management; renewable energy resource generation; available long-term power supply alternatives, or any combination thereof, would not establish or maintain a more cost-effective and reliable generation system and that the construction and operation of the facility is in the public interest.



Construction of a Major Utility Facility (cont.)

- REVIEW AND APPROVAL OF PROJECT COSTS:
 - Santee Cooper shall file with the Commission an estimate of construction costs associated with the major utility facility. No certificate shall be granted by the Commission unless it has approved the estimated construction costs and made a finding that construction will be consistent with Santee Cooper's commission-approved plan for expansion of electric generating capacity.

Acquisition of a Major Utility Facility

- STATUTORY AUTHORITY: S.C. CODE §58-33-185
- HIGH LEVEL DESCRIPTION OF REGULATORY REQUIREMENT:
 - Santee Cooper shall apply for and obtain the Commission's approval before entering into a contract for the acquisition of a Major Utility Facility.
- EXCEPTION TO REGULATORY REQUIREMENT:
 - The Commission's approval is required only to the extent the transaction is not subject to the exclusive jurisdiction of FERC or any other federal agency.
- WHAT SANTEE COOPER MUST PROVE:
 - The proposed transaction constitutes a more cost-effective means for serving direct serve and wholesale customers than other feasibly available long-term power supply alternatives and provides less ratepayer risk while maintaining safe and reliable electric service than other feasibly available long-term power supply alternatives.
- FINDING REQUIRED BY COMMISSION FOR APPROVAL OF PROPOSED ACQUISITION:
 - The Commission must find that Santee Cooper satisfied all requirements of S.C. CODE §58-3-185 and the proposed transaction is in the best interests of the retail and wholesale customers of the Public Service Authority.



Power Purchase Agreements Greater than 10 Years

- STATUTORY AUTHORITY: S.C. CODE §58-33-190
- HIGH LEVEL DESCRIPTION OF REGULATORY REQUIREMENT:
 - Santee Cooper shall apply for and obtain from the Commission approval before entering into a contract for the purchase of power with a duration longer than ten years.
- EXCEPTIONS TO REGULATORY REQUIREMENT:
 - The Commission’s approval is required only to the extent the transaction is not subject to the exclusive jurisdiction of FERC or any other federal agency.
 - This provision does not apply to purchases of renewable power through a commission approved competitive procurement process..
- FINDING REQUIRED BY COMMISSION FOR APPROVAL OF PROPOSED POWER PURCHASE AGREEMENT:
 - To approve a proposed Power Purchase Agreement, the Commission must find and determine that the proposed transaction is in the best interests of the retail and wholesale customers of Santee Cooper.

Title 58, Chapter 33 of the South Carolina Code can be found [here](#).



Triennial Integrated Resource Plan

- STATUTORY AUTHORITY: S.C. CODE §58-37-40
- HIGH LEVEL DESCRIPTION OF REGULATORY REQUIREMENT:
 - Santee Cooper must develop triennially, in consultation with the electric cooperatives and municipally owned electric utilities purchasing power and energy from Santee Cooper and with the feedback of retail customers of Santee Cooper, an integrated resource plan (IRP) based upon the analysis and including the various components described in S.C. Code §58-37-40(B).
 - Santee Cooper's IRP shall include the effect of DSM activities of the electric cooperatives, including Central Electric Power Cooperative, and municipally owned electric utilities that directly purchase power and energy from Santee Cooper or sell power and energy generated by Santee Cooper. The IRP shall include and evaluate at least one resource portfolio, which will reflect the closure of the Winyah Generating Station by 2028, designed to provide safe and reliable electric service while meeting a net zero carbon emission goal by the year 2050.
 - Santee Cooper shall file its proposed IRP with the Commission for the Commission's review and approval. Since Santee Cooper's last, pre-Act 90 IRP was filed with the South Carolina Energy Office on December 23, 2020.

Title 58, Chapter 37 of the South Carolina Code can be found [here](#).

Triennial Integrated Resource Plan (cont.)

- FINDING REQUIRED BY COMMISSION FOR APPROVAL OF SANTEE COOPER'S PROPOSED INTEGRATED RESOURCE PLAN:
 - To approve Santee Cooper's proposed IRP, the Commission must find and determine that the plan represents the most reasonable and prudent means of meeting Santee Cooper's energy and capacity needs as of the time the plan is reviewed, which determination shall consider whether the plan appropriately balances the factors enumerated in S.C. CODE §58-37-40(C)(2) (a) through (g).
- FURTHER REGULATORY PROCEEDINGS SHOULD THE COMMISSION MODIFY OR REJECT SANTEE COOPER'S INTEGRATED RESOURCE PLAN:
 - Within sixty days after the date of the final order modifying or rejecting its IRP, Santee Cooper shall submit a revised proposed IRP addressing concerns identified by the commission and incorporating commission-mandated revisions to the integrated resource plan to the commission for approval.
- ANNUAL UPDATES TO IRP:
 - Santee Cooper shall provide the Commission with annual updates to its approved IRP. Upon review of Santee Cooper's annual update and the Office of Regulatory Staff's report on the reasonableness of the annual update, the commission may accept the annual update or direct Santee Cooper to make changes to the annual update that the commission determines to be in the public interest.



Competitive Procurement Process for Renewable Generation

- STATUTORY AUTHORITY: S.C. CODE §58-31-227
- HIGH LEVEL DESCRIPTION OF REGULATORY REQUIREMENT:
 - Santee Cooper shall file for commission approval of a competitive procurement process that meets all of the requirements described in S.C. CODE §58-31-227 (B) through (D) for the competitive procurement of energy, capacity, and environmental attributes from renewable energy facilities to meet needs for new generation resources identified by the Authority in its Integrated Resource Plans or other planning processes.
- FINDING REQUIRED BY COMMISSION FOR APPROVAL OF PROPOSED COMPETITIVE PROCUREMENT PROCESS:
 - To approve a proposed competitive procurement process, the Commission must find and determines that proposed process satisfied all requirements of S.C. CODE §58-31-227 and the proposed process is in the best interests of the customers of Santee Cooper.

Service Territory Changes



- STATUTORY AUTHORITY: S.C. CODE §58-31-430
- HIGH LEVEL DESCRIPTION OF REGULATORY REQUIREMENT:
 - The Commission may not assign any portion of the present service area of Santee Cooper to any electrical utility or electric cooperative and this service area must be exclusively served by Santee Cooper unless otherwise agreed to by Santee Cooper.
 - Santee Cooper shall have the right to enter into agreements with other electric suppliers concerning service areas and corridor rights.
- FINDING REQUIRED BY COMMISSION FOR APPROVAL OF SERVICE AGREEMENTS:
 - The Commission shall have the authority to approve said agreements and to reassign said service area or corridor rights if after giving notice and an opportunity for hearing interested parties, it finds the agreements to be fair and reasonable.
 - The Commission shall not have the authority to alter or amend any such agreement unless all affected electric suppliers agree to the alteration or amendment.

Questions?